

Message Text

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ACTION EB-08

INFO OCT-01 EA-10 IO-13 ISO-00 STR-07 COME-00 MCE-00

PM-05 DODE-00 NSAE-00 ICA-11 TRSE-00 SOE-02

DOE-15 CIAE-00 CAB-02 DOTE-00 INR-10 FAA-00 L-03

AGRE-00 CEA-01 FRB-03 H-01 INT-05 LAB-04 NSC-05

PA-01 CTME-00 AID-05 SS-15 ITC-01 SP-02 OMB-01

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USMTN

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TAGS: EAIR, ETRD, MTN, RP

SUBJECT: NTM OBSTACLE TO US GENERAL AVIATION AIRCRAFT

REF: (A) STATE 131164 (NOTAL), B. STATE 138925 (NOTAL)

1. SUMMARY. BANKRUPTCY OF FAIRLEY BRITTEN-NORMAN HAS MEANT A SUSPENSION OF THE PADC ISLANDER PROGRAM, PERHAPS PERMANENTLY. PADC HAS ASSEMBLED 53 ISLANDERS AND HAS A BACKLOG OF SOME 30 UNITS WHICH WOULD CONTINUE TO BE A BARRIER TO EXPORTS OF U.S. GENERAL AVIATION AIRCRAFT. WE SHOULD RAISE NTM BARRIER WITH GOP, PERHAPS IN THE MTN CONTEXT IN THE BEGINNING AND THEN DIRECTLY WITH THE GOP HERE. PUNITIVE ACTION DOES NOT APPEAR FEASIBLE FROM WHERE WE SIT, AND PERHAPS TIME WOULD SOLVE THE PROBLEM. END SUMMARY.

2. FAIRLEY S.A. OF BELGIUM BOUGHT OUT BRITTEN-NORMAN

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SEVERAL YEARS AGO, AND IT IS FAIRLEY BRITTEN-NORMAN WHICH HAS RECENTLY GONE BANKRUPT AND IS IN RECEIVERSHIP. FAIRLEY BRITTEN-NORMAN NO LONGER MANUFACTURES BUT STILL SELLS COMPLETED UNITS AND SPARE PARTS.

3. PADC HAS TAKEN 53 KITS OF THE 100 ORIGINALLY AGREED UPON. OF THESE, ABOUT 20 HAVE BEEN SOLD. NO ONE HAS ANY

IDEA AT PRESENT WHETHER FAIRLEY BRITTEN-NORMAN WOULD RESUME PRODUCTION AND IF SO WHETHER PADC WOULD TAKE THE REMAINING 47 KITS.

4. SOMETIME AGO FAIRLEY BRITTEN-NORMAN INFORMED PADC THAT, AFTER HAVING BOUGHT BACK THREE AIRCRAFT, IT WOULD NOT TAKE BACK THE REMAINING 22 FOR SALE. IT INSISTED, HOWEVER, THAT PADC TAKE ALL 100 ISLANDERS. PADC'S REPLY WAS TO THE EFFECT THAT THE VISITORS "CLIMB A TREE."

5. HELI ORIENT WHICH REPRESENTS BOTH CESSNA AND FAIRLEY BRITTEN-NORMAN HAS OFFERED TO HELP SELL THE REMAINING ISLANDERS WITHIN THE PHILIPPINES FOR A SMALL COMMISSION (SEVEN PER CENT). IT HAS SOLD THE EUROPEAN-MADE ISLANDER IN INDONESIA, MALAYSIA AND THAILAND, AND BELIEVES IT COULD SELL THE PLANE IN AUSTRALIA AND THE PACIFIC. THE PADC ISLANDER, HOWEVER, IS NOT MARKETABLE OUTSIDE OF THE PHILIPPINES BECAUSE IT IS 20 PER CENT MORE EXPENSIVE THAN THE EUROPEAN VERSION.

6. HELI ORIENT HAD SOLD SIX ISLANDERS IN THE PHILIPPINES BEFORE PADC SET UP THE ASSEMBLY OPERATIONS AND BELIEVES THAT THE DOMESTIC MARKET CAN STILL TAKE ABOUT SIX UNITS A YEAR. IT DID NOT TIE ITS OFFER TO SELL THE PADC ISLANDERS WITH AN ELIMINATION OR AMELIORATION OF LOI 343. PADC DID NOT TAKE UP THE OFFER, PRESUMABLY BECAUSE OF LOSS OF PRIDE THAT IT COULD NOT SELL THE AIRCRAFT ITSELF LIMITED OFFICIAL USE

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DESPITE TOTAL PROTECTION.

7. WE HAVE NO SPECIFIC IDEAS OF THE "PUNITIVE ACTION" WHICH MIGHT MOVE THE GOP AND PADC TO APPLY LOI 343 LIBERALLY AND FAIRLY. WHAT WE HAD IN MIND WAS SOME SORT OF SECTION 19 ACTION UNDER THE MERCHANT MARINE ACT OF 1920 (SEE STATE 194250 OF AUGUST 15, 1975 AND STATE 271127 OF NOVEMBER 15, 1975). PERHAPS THE TRADE ACT OF 1974 MAY HAVE SOME PROVISIONS FOR COUNTERMEASURES AGAINST NTMS SUCH AS LOI 343.

8. IN ANY CASE, WE OUGHT TO MAKE OUR CONCERN KNOWN TO THE GOP, PERHAPS IN THE MTN CONTEXT IN THE BEGINNING AND THEN DIRECTLY WITH THE GOP. WE SHOULD ASK FOR THE REMOVAL OF LOI 343 OR AT LEAST FOR APPROPRIATE GUIDELINES FOR A FAIR APPLICATION OF THE LOI.

9. DURING THE LAST SIX MONTHS PADC HAS RELAXED SOMEWHAT. MOST OF THE APPROVALS CITED OVER THE LAST 30 MONTHS ACTUALLY TOOK PLACE RECENTLY. IN TIME, IF PADC DOES NOT RESUME ASSEMBLY OF THE ISLANDER, THE PROBLEM WILL BE RESOLVED BY THE SALE OF THE REMAINING UNITS.

10. IN THESE CIRCUMSTANCES, PATIENT AND CONTINUOUS
PRESSURE ON THE GOP COULD SERVE IN LIEU OF "PUNITIVE
ACTION" UNLESS THE DEPARTMENT CAN COME UP WITH SOME SORT
OF CREDIBLE THREAT. MURPHY

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